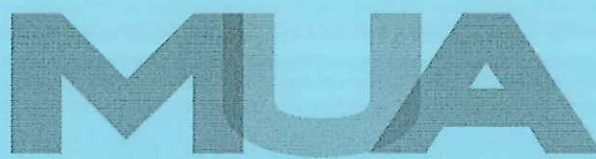


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UNDERGRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

DEGREE OF BACHELOR OF MANAGEMENT AND LEADERSHIP

**BMT 400: INTERNATIONAL BUSINESS, TRADE AND FINANCE**

**DATE: 6<sup>TH</sup> APRIL 2018**

**DURATION: 2 HOURS**

**MAXIMUM MARKS: 70**

**INSTRUCTIONS:**

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **FIVE (5)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **THREE** questions.
6. Question **ONE** carries **25 MARKS** and the rest carry **15 MARKS** each.
7. **Write all your answers in the Examination answer booklet provided.**

**QUESTION ONE**

**Read the Case Study below carefully and answer the questions that follow:**

Mr. Gurmeet Taneja and Mr. Rahul Khatri are partners of M/S Taneja exports, mumbai. Both of them qualified from IIFT, New Delhi in the year 2002. They declined lucrative corporate job offers, since they have decided to plunge into the world of international business .M/S Taneja Exports is registered as a partnership firm, with Mr. Gurmeet Taneja and Mr.Rahul Khatri sharing the profits in the ratio of 60: 40.The partners had conducted in depth market survey in the domestic as well as international markets regarding the demand of women's apparels in cotton and hosiery. They have taken the assistance of Apparel export promotion council and the marketing agencies in various countries of European Union. On account of their knowledge in foreign trade, they were able to quickly assess that Indian exporters have not succeeded in penetrating into the huge apparel market of Europe. They found out that the main reasons were ineffective marketing, improper quality control and non-adherence to the shipping schedules. Mr. Gurmeet concentrated on marketing of the cotton and hosiery apparels abroad and Mr. Rahul ensured on the procurement of the raw materials and timely execution of shipments. The firm had taken an industrial gala, measuring 700 sq ft, at 501, Mangal Das market, Lower Parel, Mumbai. They were paying a monthly rent of Rs. 35,000/- for the office premises and the stock of garments was kept in a go down in the same gala area, for which the rent payable was Rs. 15,000/- pm

The firm was sourcing their raw materials from the south Indian towns of Tirupur and Coimbatore. As per the export orders, they were providing the raw materials for job works in Mumbai and subject the samples to rigorous quality and specification checks. The firm had employed 2 accounts staff and 3 contract workers to attend to daily office and godown activities. The firm was able to achieve steady improvement in export sales due to the stringent quality control measures and timely execution of shipment schedules. The following were the credit facilities enjoyed from M/S International Bank of India, Fort branch, Mumbai. Towards the security of the credit facilities, the firm had mortgaged the residential house, valued at Rs 85 lakhs,



belonging to Mr. Vikram Taneja, father of Mr. Gurmeet Taneja, and stocks valued at Rs 15 lakhs was also hypothecated to the Bank. Mr. Vikram Taneja stood guarantee for the facilities sanctioned to the firm. M/S Taneja exports used to avail the export packing credit facility from International Bank of India and adjust the same by purchase or negotiation of the export bills drawn on their European buyers. Generally the bills carried a tenor period of 60 days. Most of the export bills were drawn and sent for collection through international Bank of India, Mumbai Fort Branch, to the foreign buyer's bankers, based on the confirmed purchase order of the buyer. The bills were paid on the due dates and the conduct of the account on the bank's books was quite satisfactory.

**Required:**

- a) Explain Why Mr. Gurmeet Taneja and Mr. Rahul Khatri Engage in International Business and trade (3marks)
- b) Discuss the interrelated factors that have contributed to the spiraling growth in International Business and trade (12Marks)
- c) Explain term Political risks and hence Seven typical political risk events that Mr. Gurmeet Taneja and Mr. Rahul Khatri Engage in International Business and trade (10Marks)

**QUESTION TWO**

- a) Ricardo's theory of comparative advantage illustrates some of the advantages of international trade. Briefly describe the model. (7Marks)
- b) Explain the following:
  - i. Fixed exchange rate system (2 Marks)
  - ii. Floating exchange rate system (2 Marks)
  - iii. Managed exchange rate system (2 Marks)
  - iv. Pegged exchange system (2 Marks)

**QUESTION THREE**

- a) The legal/political aspect is very important in global marketing. Discuss five types of legal systems used in global marketing (10marks)

- b) Explain the Elements Of The Economic Environment in International Business and trade (5 marks)

#### QUESTION FOUR

Discuss the different environmental factors that affect global marketing the International Business and trade? (15marks).

#### QUESTION FIVE

- a) Discuss some of the pros and cons of countertrade from the country's perspective and the firm's perspective (8marks).
- b) Discuss Cash flow management and explain the key divisions of cash flow management (7marks).

#### QUESTION SIX

- a) Discuss Global manufacturing strategy and using clear examples explain the four key global factors that influence success of a global manufacturing strategy (9Marks)
- b) Explain three types of foreign exchange risk that a manager may face due to foreign exchange fluctuations (6marks)